



Department of Justice

United States Attorney McGregor W. Scott
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CONTACT: Lauren Horwood
PHONE: 916-554-2706
edcapress@usdoj.gov

SACRAMENTO AREA FRAUDSTER ENTERS GUILTY PLEAS **IN 'CASH BACK' MORTGAGE FRAUD SCHEME**

SACRAMENTO, Calif.—United States Attorney McGregor W. Scott announced today that DEREK DAVIS, aka Terry McCullough, 62, of Sacramento, entered guilty pleas before United States District Judge Edward J. Garcia to mail fraud and structuring currency transactions with a financial institution to evade Currency Transaction Reports (CTR) in connection with his role in a widespread mortgage fraud scheme involving the purchase of numerous real properties in Sacramento, El Dorado and Placer Counties. The losses caused by DAVIS's conduct exceed \$2,500,000.

This case is the product of an extensive investigation conducted by the Federal Bureau of Investigation, the Internal Revenue Service-Criminal Investigation, the California Department of Real Estate, and the El Dorado County District Attorney's Office.

According to Assistant United States Attorneys Courtney J. Linn and Phil Ferrari, who are prosecuting the case, DAVIS admitted that between March 2005 and December 2006, he participated in a mortgage fraud scheme in which several individuals purchased approximately 20 residential real properties using a form of 100 percent financing called "80/20." In the transactions, DAVIS caused material misstatements to be made about the purchasers' monthly income and intent to occupy the property. He further admitted that in the transactions an amount approximately equal to the difference between the purchase price and the true market price of the properties was credited as "cash back" at the close of each escrow to the bank account of a Nevada Corporation he controlled called Calorneva Land Company. DAVIS caused these credits to be concealed from lenders. Some of the proceeds from the "cash back" facet of the scheme were then diverted to accounts held in the name of third parties, but in fact controlled by DAVIS, and used for a variety of purposes, including making mortgage payments on several of the properties. In total, approximately \$1,400,000 was transferred to Calorneva Land Company from escrow companies in connection with the approximately 20 real property transactions.

"So called 'cash back' fraud schemes prey upon lenders willing to finance as much as 100 percent of the purchase price of residential real property," said U.S. Attorney Scott. "These schemes were particularly prevalent in the 2005-2006 time frame. This office, in coordination with other law enforcement agencies, is devoting significant resources to ferreting out these schemes and bringing those responsible to justice."

DAVIS is scheduled to be sentenced on February 27, 2009, at 10:00 a.m. Charges remain pending against a second defendant in this case, DINO ROSETTI, who is next scheduled to appear before the court on January 9, 2009.

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